

**TREASURY AND
PUBLIC DEBT
MANAGEMENT
2014-15**

ASSEMBLY OF THE REPUBLIC
Budget, Finance and Public Administration Commission
4 March 2015

Treasury and Public Debt Management 2014-2015

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1) MISSION AND OBJECTIVES OF THE IGCP

1) Mission and objectives of the IGCP

The mission of the IGCP, E.P.E. is the integrated management of the Treasury and the direct public debt of the State

Main objectives:

- i. To guarantee stability in the public finances and efficiency in the management of the public debt portfolio, with a view to optimising the intertemporal cost, by maintaining Treasury balances at acceptable minimum security levels;
- ii. To manage and control the State's collections system and current accounts system, ensuring centralisation and control of Treasury funds movements and promoting the State's treasury unit;
- iii. To manage the derivatives portfolio of the reclassified public companies and give technical opinions on the conditions of financial operations to be performed by any entities of the State Corporate Sector.

1) Mission and objectives of the IGCP

The mission of the IGCP, E.P.E. is the integrated management of the Treasury and the direct public debt of the State

Main areas of activity in 2014-2015:

- i. **Consolidation of access to the international medium and long-term debt market:** the IGCP is directly responsible for contacts with investors, aiming to supply as much information as possible regarding the Portuguese economy, with the objective of regaining the trust of the traditional investors. (The IGCP also supplies information to the national statistics authorities and to international institutions).
- ii. **Debt portfolio management:** Given the favourable market conditions and the increase in investors' preference for longer maturities, the IGCP has promoted the flattening of the repayment profile alongside the increase in portfolio duration.
- iii. **State Treasury Management:** Best practice in public debt management recommends the adoption of a conservative liquidity management policy, favouring the existence of significant reserves.
- iv. **Issue of technical opinions on financial operations of other public entities and derivatives portfolio management.**

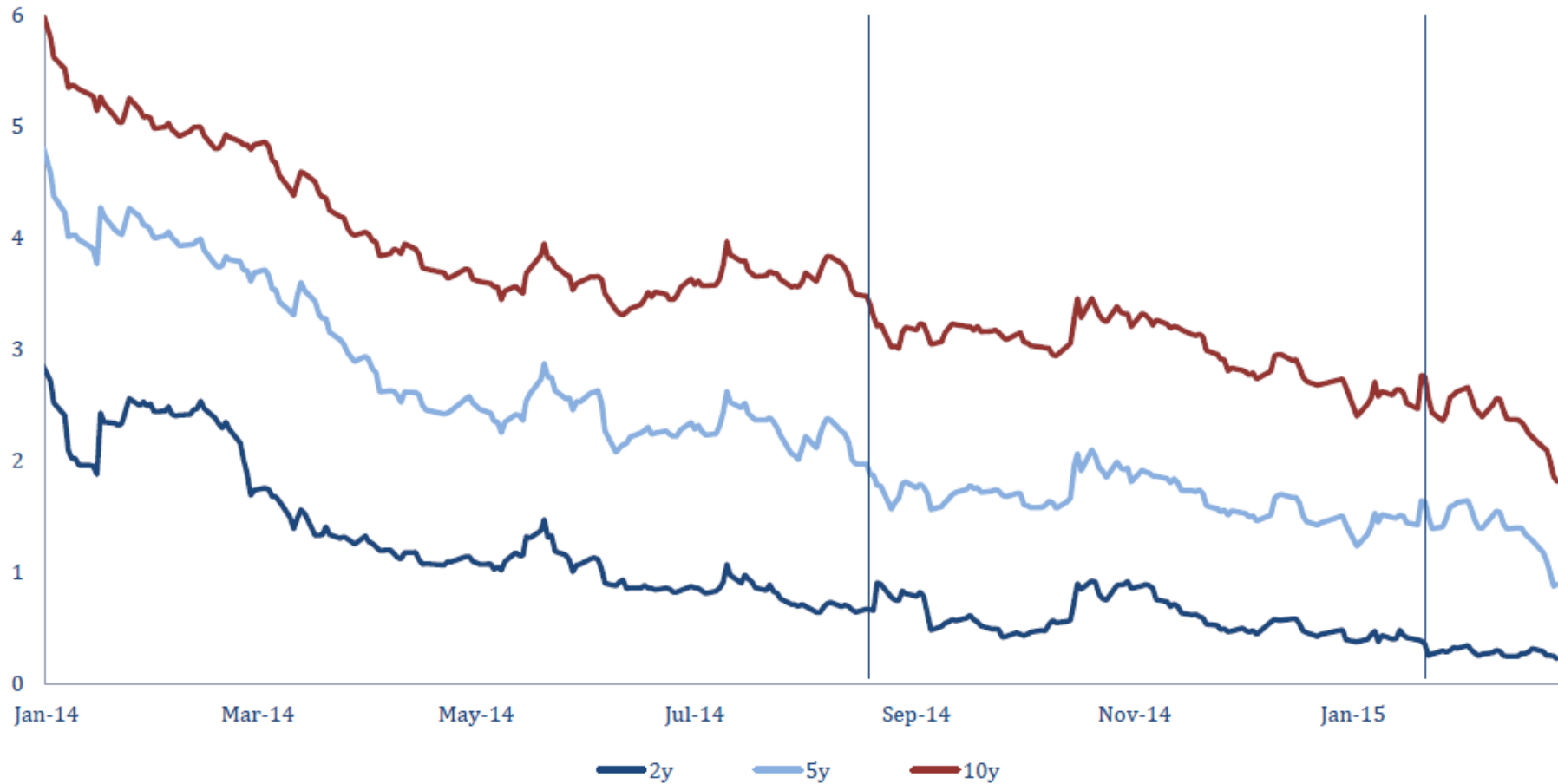
2) EVOLUTION OF MARKET CONDITIONS

2) Evolution of market conditions

Recent months have been marked by the fall in yields from Treasury Bonds

T-Bond yields on the secondary market

[%]



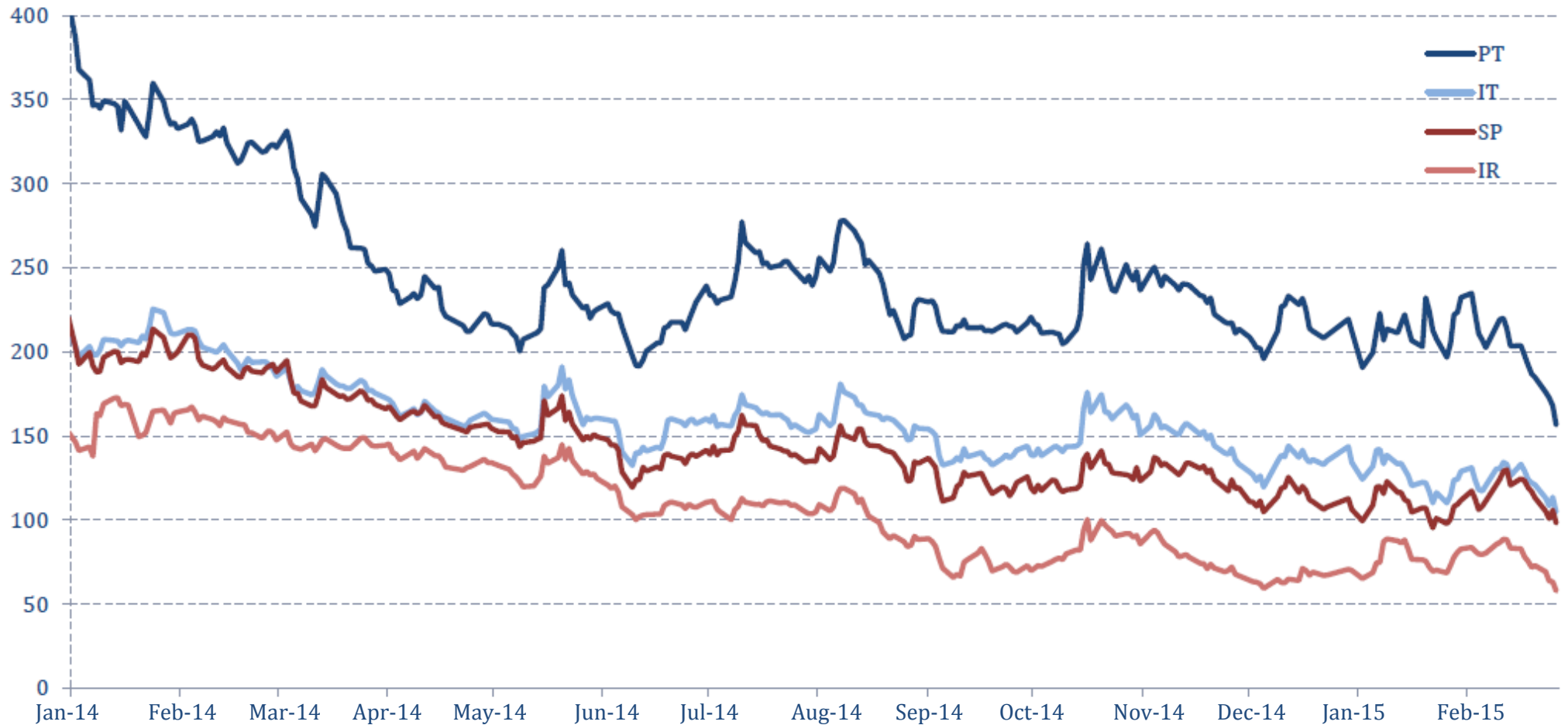
Source: Bloomberg

2) Evolution of market conditions

Spreads of Portugal vs Germany fell more than 200 basis points

Spread of Portugal, Italy, Spain and Ireland versus Germany (10-year rates)

[Basis Points]



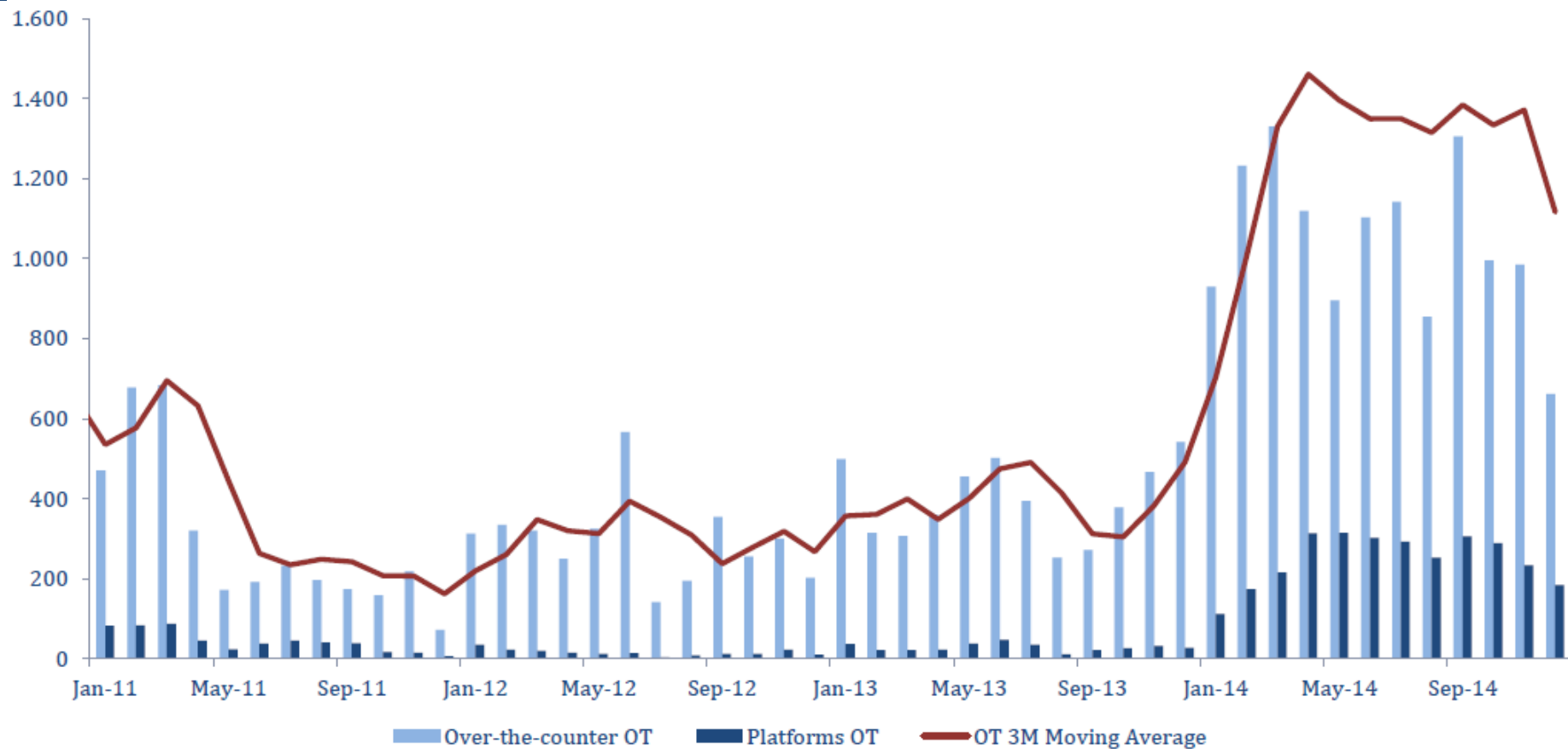
Source: Bloomberg

2) Evolution of market conditions

Positive evolution of average daily trading volume of T-Bonds, principally after consolidation of Treasury regularity in the market

Average daily trading of T-Bonds on a secondary market

[EUR millions]



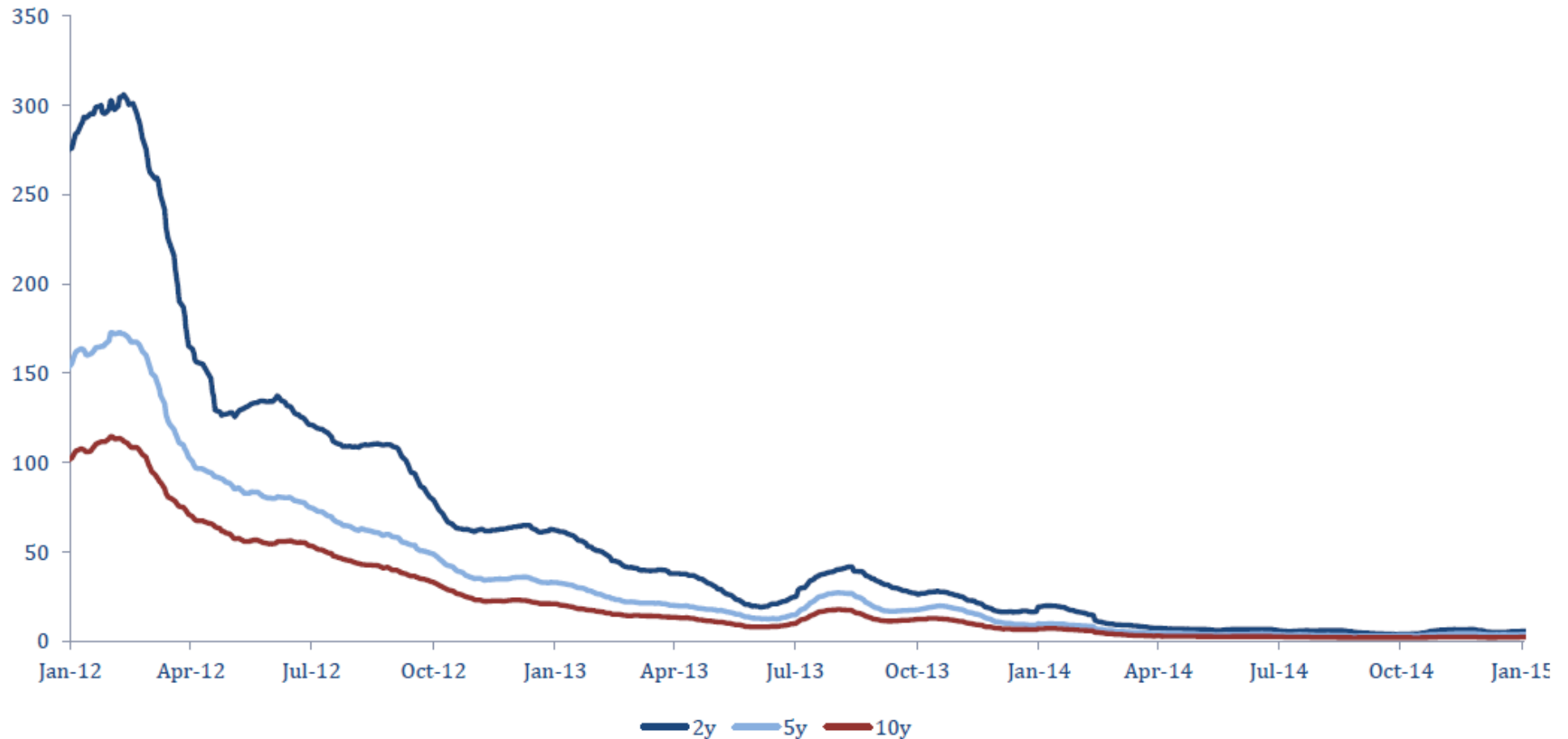
Source: BTEC, eSpeed, MTS and IGCP, HRF reports by Primary Dealers

2) Evolution of market conditions

With the normalising of access to the market, bid-offer spreads continue to show a clear narrowing tendency

T-Bond Bid-offer spreads

[basis points, MM 30 days]



Source: Bloomberg

2) Evolution of market conditions

DBRS maintains Portugal's rating at investment grade, Moody's made 2 upgrades of 1 notch and S&P and Fitch made a favourable review of Portugal's outlook

| | Current Rating | Date | Recent decisions | Outlook (LT) |
|----------------|--------------------------|-------------------|-----------------------------------|--------------------|
| Fitch | BB+ / Outlook positive | 10-10-2014 | BB+ rating affirmed | Positive |
| | | 11-04-2014 | BB+ rating affirmed | Positive |
| | | 23-10-2013 | BB+ rating affirmed | Negative |
| | | 12-11-2012 | BB+ rating affirmed | Outlook negative |
| Moody's | Ba1 7 Outlook Stable | 25-07-2014 | Rating upgraded to Ba1 | Stable |
| | | 09-05-2014 | Rating upgraded to Ba2 | Review for upgrade |
| | | 08-11-2013 | Ba3 rating affirmed | Stable |
| | | 27-03-2013 | Ba3 rating affirmed | Negative |
| | | 13-02-2012 | Rating Downgraded to Ba3 | Negative |
| S&P | BB / Outlook Stable | 07-11-2014 | BB Rating affirmed | Stable |
| | | 07-05-2014 | BB Rating affirmed | Stable |
| | | 17-01-2014 | BB Rating affirmed | Negative |
| | | 18-09-2013 | Rating BB on CreditWatch Negative | On watch negative |
| | | 05-07-2013 | Outlook from stable to negative | Negative |
| | | 07-03-2013 | Outlook negative removed | Stable |
| | | 21-01-2013 | BB Rating affirmed | Negative |
| DBRS | BBB (low) / Trend Stable | 21-11-2014 | BBB (low) rating affirmed | Stable |
| | | 21-05-2014 | BBB (low) rating affirmed | Stable |
| | | 13-12-2013 | BBB (low) rating affirmed | Trend negative |

IGCP meets or telephones the rating agencies once a month, on average.

Source: Fitch, Moody's, S&P and DBRS

3) FINANCING AND TREASURY MANAGEMENT PLAN FOR 2014-15

3.1. INTRODUCTION

Financing strategy: use of various channels and extension of maturities allow for gradual recovery of access to the market

Pillars of strategic activity

Provide liquidity to the market

- Consolidate presence in the market by combining auctions and syndicates

Portfolio Management

- Begin flattening the repayment profile, by making exchanges and/or repurchases
- Increase the duration of the portfolio taking advantage of the environment of low interest rates
- Pre-financing to avoid risks associated with phenomena of disruption/tension in the market - existence of liquidity reserve

Broadening of investor base

- Regular contact with current or prospective investors (roadshow and reverse roadshow)
- Participation in seminars organised by operators specialised in public debt (OEVT) or primary dealers - actions disseminating Portuguese public debt
- Regular contact with rating agencies

Continual communication with investors

Financing strategy: use of various channels and extension of maturities allow for gradual recovery of access to the market

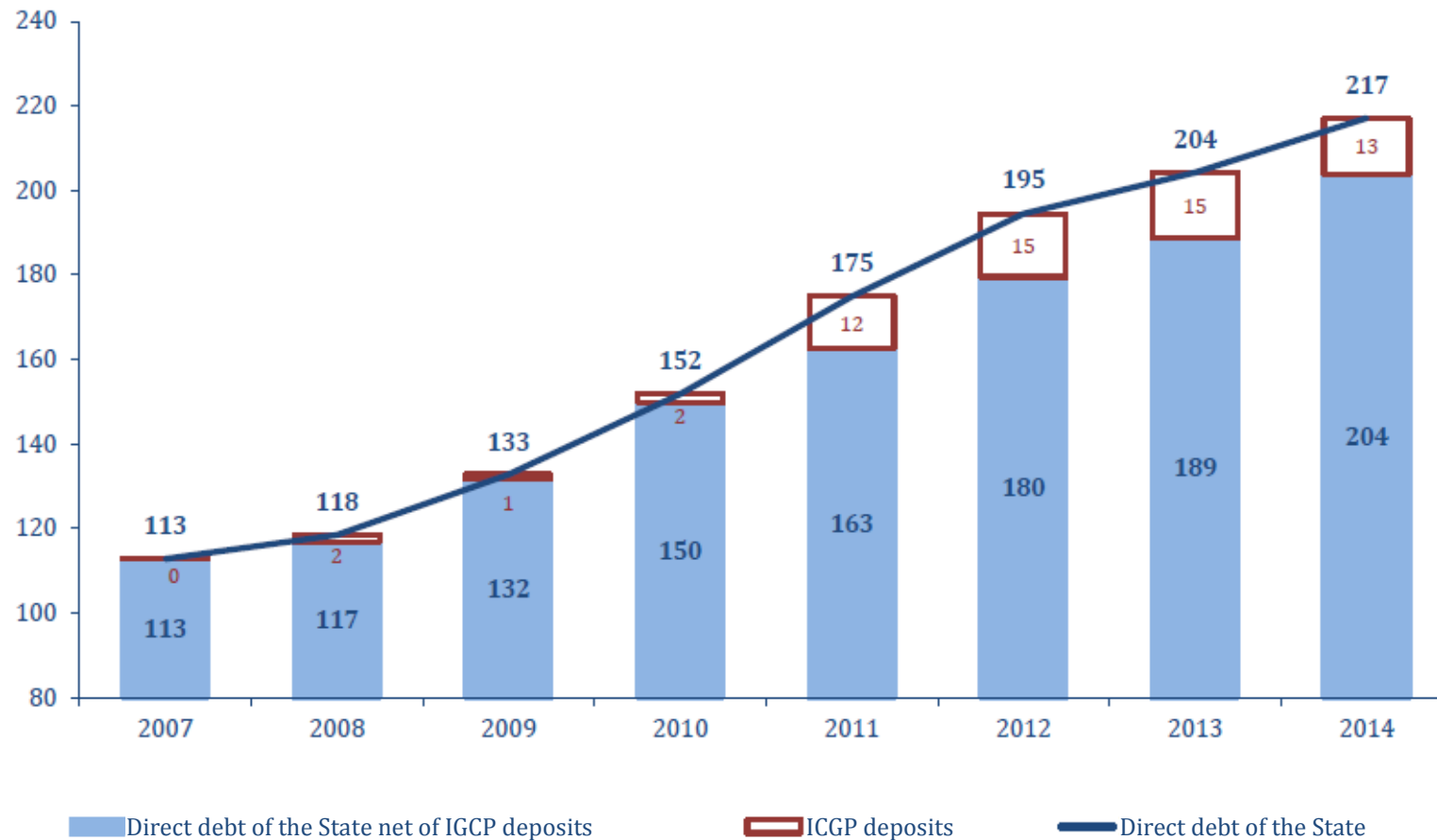
| Financing channels | | | | Amortisation profile | |
|--|--|---|---|---|---|
| Retail | T-Bonds | MTN | T-Bills | Exchange offers | Repurchases |
| <ul style="list-style-type: none">• Continue to cement the loyalty of the retail investor base | <ul style="list-style-type: none">• Improve liquidity• Extend maturities• Expand the investor base | <ul style="list-style-type: none">• Use flexibility to expand the investor base• Access to strategic investors | <ul style="list-style-type: none">• Increase participation of international investors | <ul style="list-style-type: none">• Explore the opportunity of extending the average maturity of debt stock | <ul style="list-style-type: none">• Efficient use of a liquidity buffer to soften the amortisation profile (e.g. IMF) and optimise its cost |

3) Financing and treasury management plan for 2014-15

Debt stock at high levels presents challenges for managing the refinancing risk and the refinancing cost

Direct debt of the State

[EUR billions]



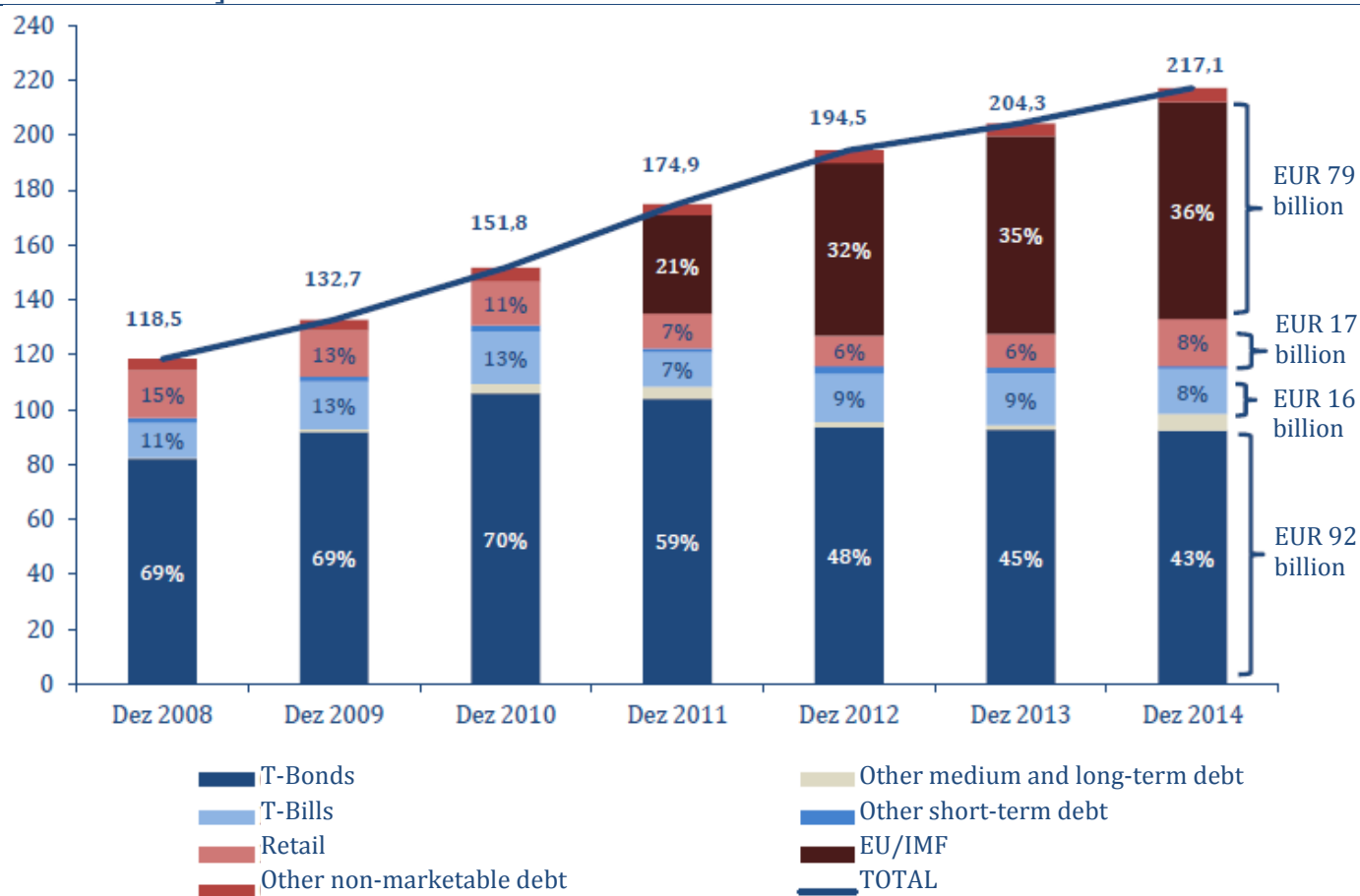
Source: IGCP

3) Financing and treasury management plan for 2014-15

In 2014, the weight of official creditors' debt has not yet decreased in relative terms

Composition of State direct debt

[EUR billions and % of total debt]



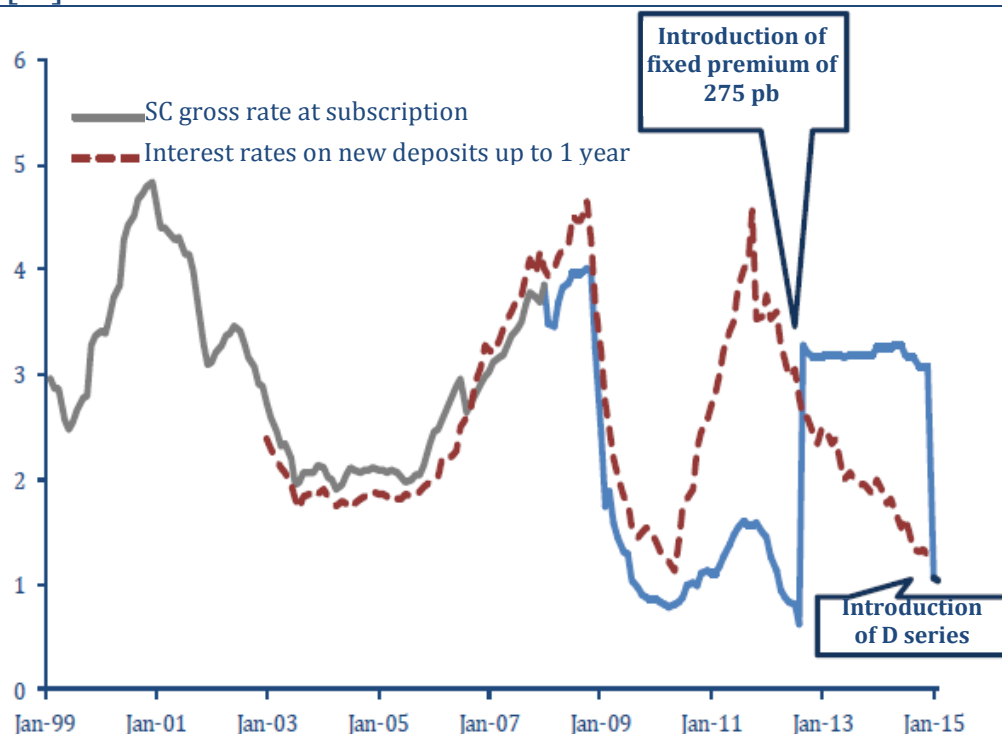
Source: IGCP

3) Financing and treasury management plan for 2014-15

Subscriptions of Savings Plus Treasury Certificates (CTPM) (new product launched at the end of October 2013) have surpassed EUR 4 500 million since the launch

Banking system deposit rates and retail products rates

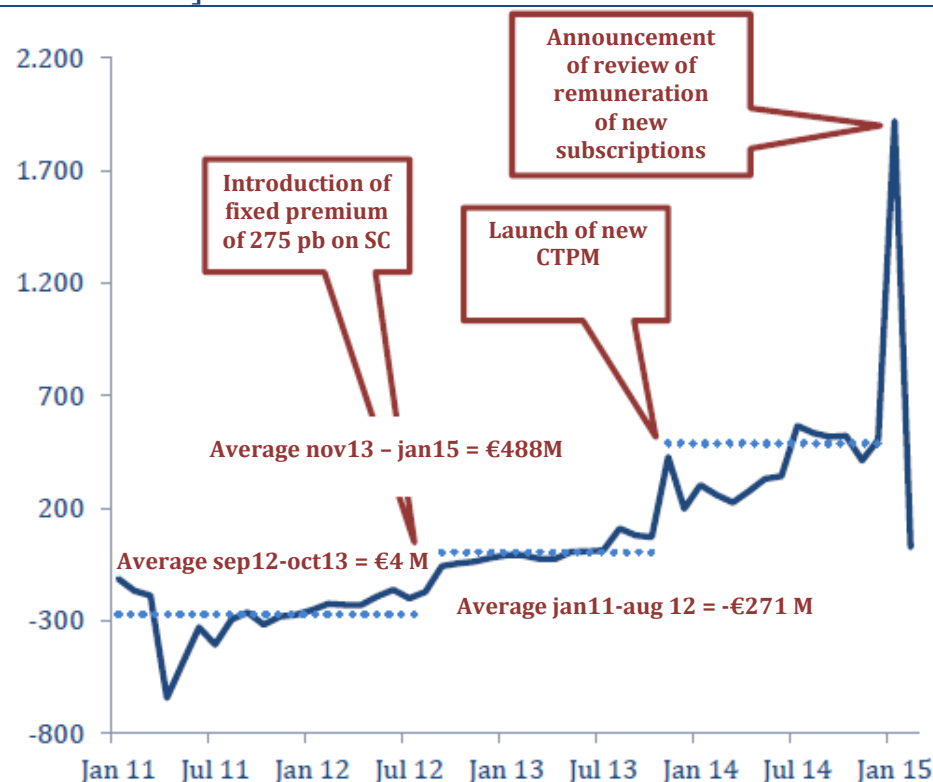
[%]



Source: IGCP, Bank of Portugal

Net monthly issue of retail products

[EUR millions]



Source: IGCP

3.2. PROVIDING LIQUIDITY TO THE MARKET

3) Financing and treasury management plan for 2014-15

The IGCP expects to cover the needs for 2015 essentially by resorting to issue of medium and long-term debt

Financing needs and sources 2013-2018

[EUR billion]

| | 2013 E | 2014 P | 2015 P | 2016 P | 2017 P | 2018 P |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| State financing needs | 24.3 | 31.0 | 24.0 | 14.1 | 16.9 | 13.0 |
| Net financing needs | 11.1 | 14.3 | 11.2 | 0.1 | 3.3 | 2.0 |
| Budget deficit * | 7.7 | 7.1 | 6.0 | 2.8 | 1.4 | 0.0 |
| Recapitalisation of private banks | 1.1 | | | | | |
| Other acquisitions net of financial assets ** | 3.8 | 7.6 | 5.2 | -2.7 | 2.0 | 2.0 |
| Privatisations (-) | -1.5 | -0.4 | | | | |
| Amortisations of MLP | 13.1 | 16.7 | 12.8 | 14.1 | 13.6 | 11.0 |
| T-Bonds + MTN | 13.1 | 16.7 | 6.8 | 8.1 | 11.3 | 11.0 |
| IMF | 0.0 | 0.0 | 6.0 | 6.0 | 2.3 | 0.0 |
| Sources of State financing | 24.3 | 31.0 | 24.0 | 14.1 | 16.9 | 13.0 |
| Use of deposits | -0.4 | 2.9 | 3.9 | 2.3 | 1.2 | 0.0 |
| Financing during the year | 24.6 | 28.1 | 20.1 | 11.9 | | |
| Executed | 24.6 | 28.1 | 10.6 | | | |
| EU-IMF | 10.0 | 5.2 | | | | |
| T-Bonds + MTN | 12.0 | 19.9 | 8.7 | | | |
| T-Bills (net) | 1.3 | -2.8 | | | | |
| SC/TC/CTPM (net) | 1.1 | 5.0 | 1.9 | | | |
| Others (net) | 0.3 | 0.7 | | | | |
| To be executed | | | 9.5 | 11.9 | | |
| T-Bonds | | | 8.9 | | | |
| T-Bills (net) | | | | | | |
| SC/TC/CTPM (net) | | | 0.6 | | | |
| Others (net) | | | | | | |
| Balance of available cash resources at the end of the year | 15.3 | 12.4 | 8.5 | 6.2 | 5.0 | 5.0 |

Given the repayment of 6 mme to the IMF in 2015 – forecast issues of T-Bonds increased 4 mme (from 13.6 mme to 17.6 mme) and deposits fell by over 2 mme (10.5 to 8.5).

* Deficit of State sub-sector in public accounts for 2013-14. Forecast for PA deficit in 2015-17 (DEO, Apr 2013)

** Includes refinancing of other public entities (namely public companies and Autonomous Regions). Also includes costs with capitalisation of ESM and income from repayment of CoCos.

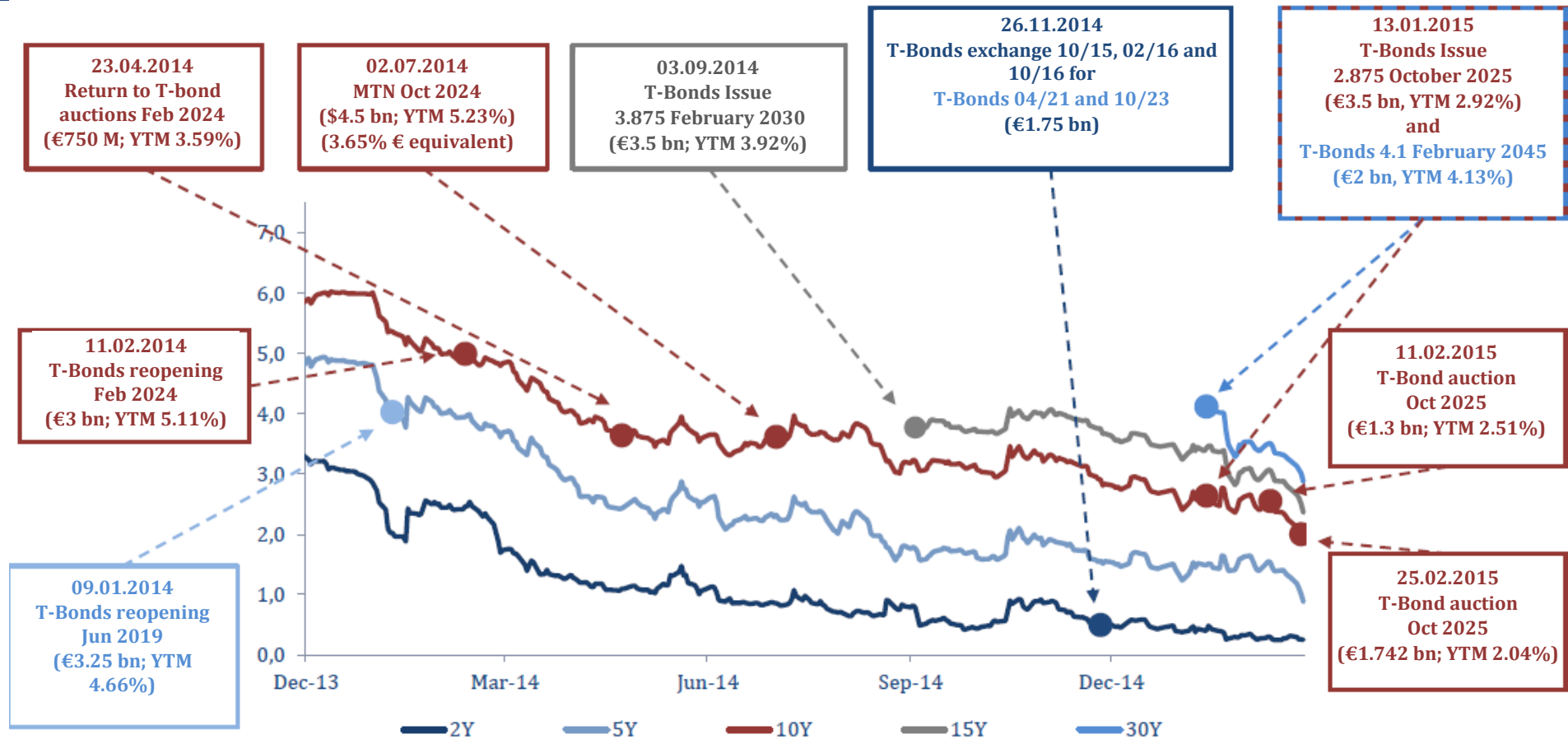
Source: IGCP, Ministry of Finance

3) Financing and treasury management plan for 2014-15

Regular participation in the market has been an essential element in regaining investors' trust

Key landmarks in the presence in the market in 2014/15

[%]



Source: Bloomberg

3.2. EXPANDING AND ENHANCING THE INVESTOR BASE

3) Financing and treasury management plan for 2014-15

Throughout 2014 over 500 investors were contacted in various locations with the aim of expanding the investor base

Roadshows and meetings with investors in 2014

[Number of Roadshows per location]



Source: IGCP

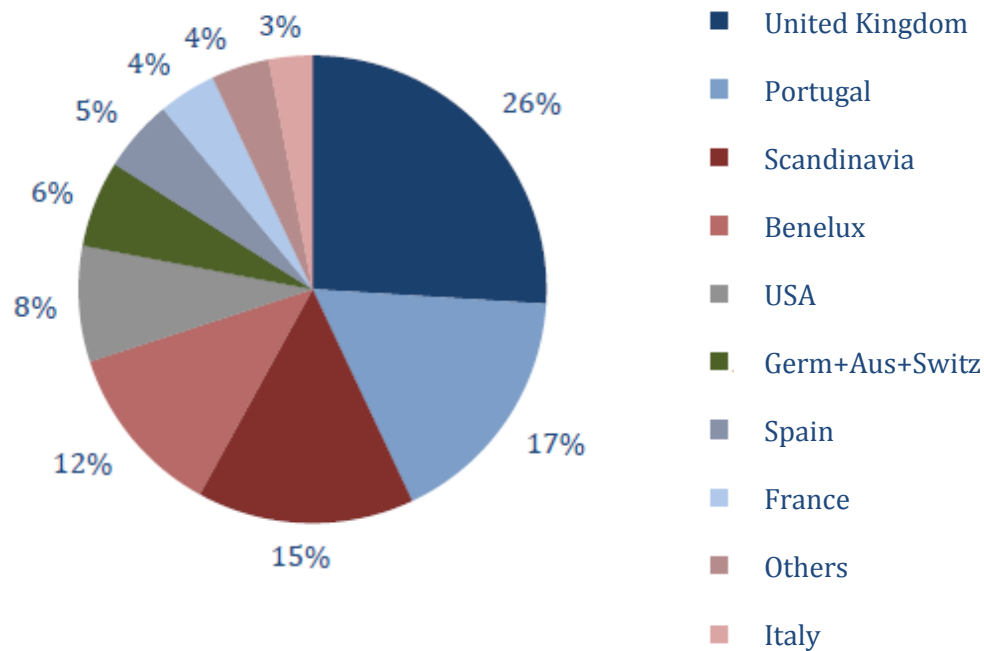
3) Financing and treasury management plan for 2014-15

Feb 2014: 10-year issue marked by high demand of buy-and-hold investors

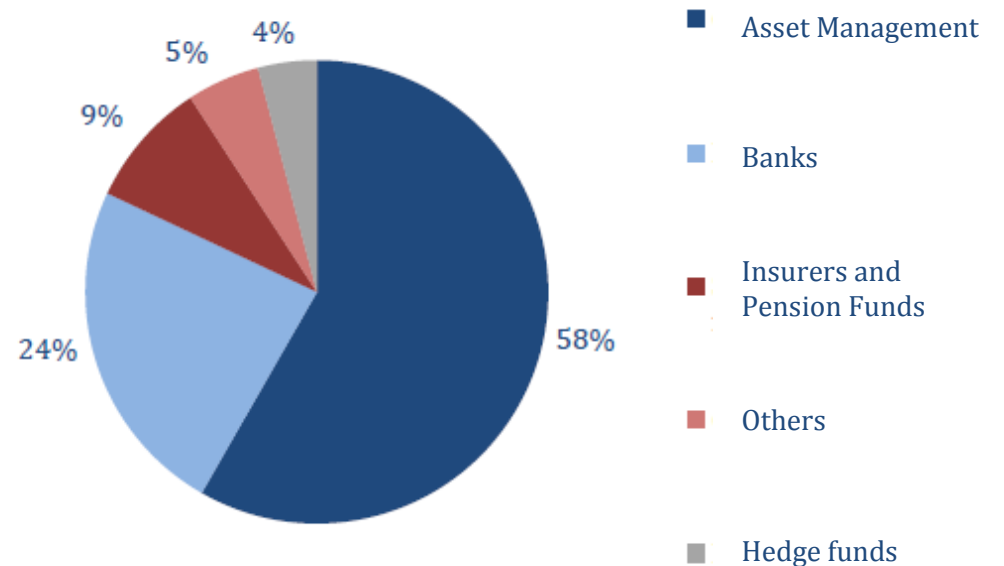
Marked increase in the presence of investors from Scandinavia and Benelux

T-Bonds syndicated reopening 15 Feb 2024

Geographical distribution



Distribution by type of investor



Source: IGCP

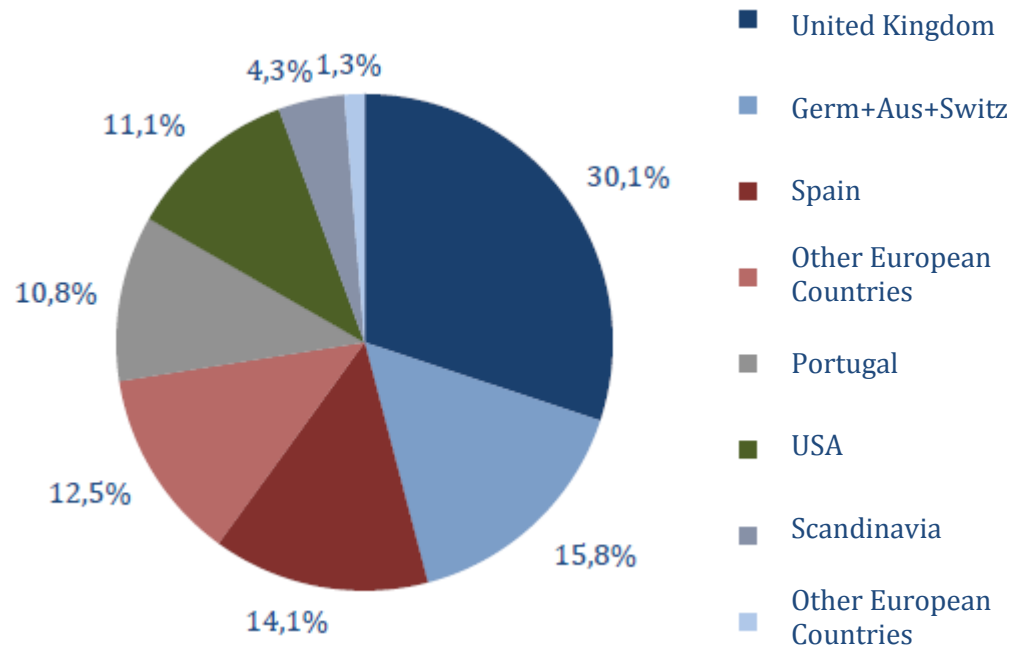
3) Financing and treasury management plan for 2014-15

Jan 2015: New 10-year benchmark, issued at a historically low rate, benefiting from demand with quality

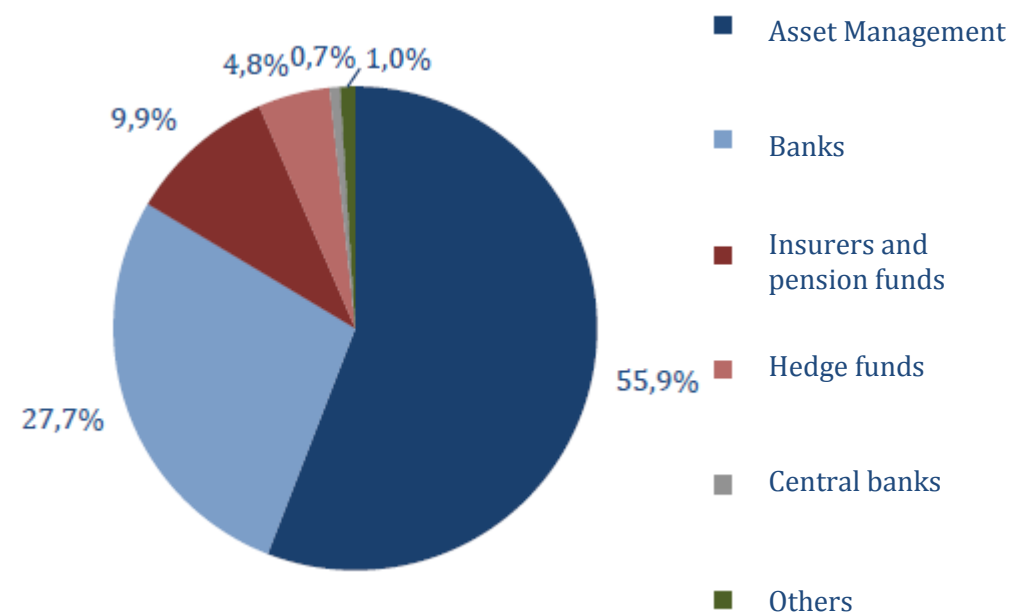
Orders of EUR 8 billion, via over 290 individual orders

EUR 3.5 billion syndicated trading of T-Bonds with maturity at 15 October 2025 (YTM 2.92%)

Geographical distribution



Distribution by type of investor



Source: IGCP

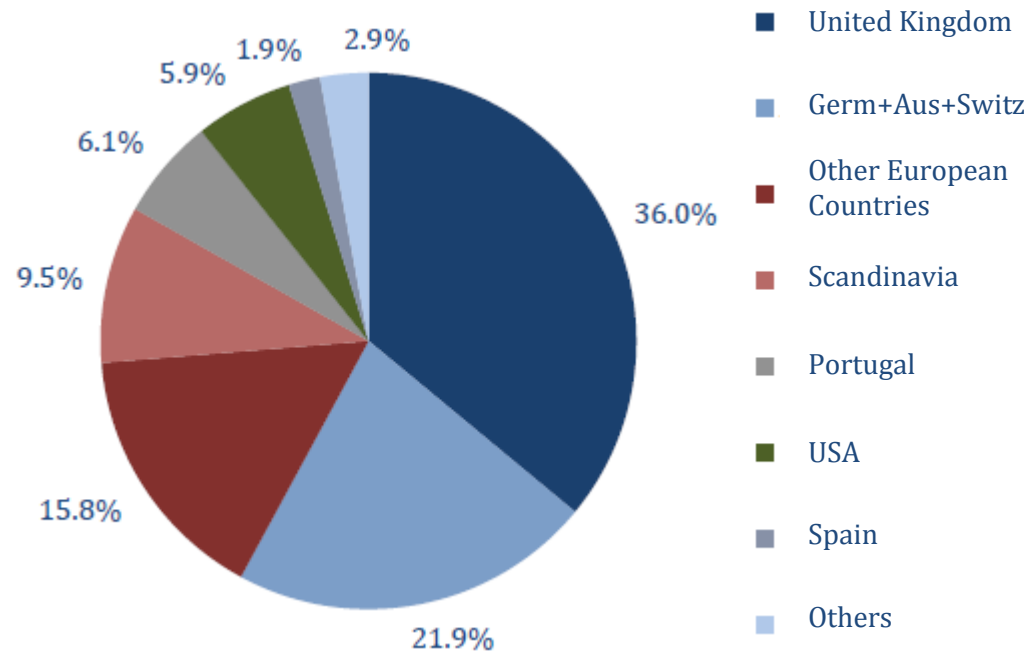
3) Financing and treasury management plan for 2014-15

Jan 2015: 30-year trading marked by strong presence of Insurers and Pension Funds from Germany and Scandinavia

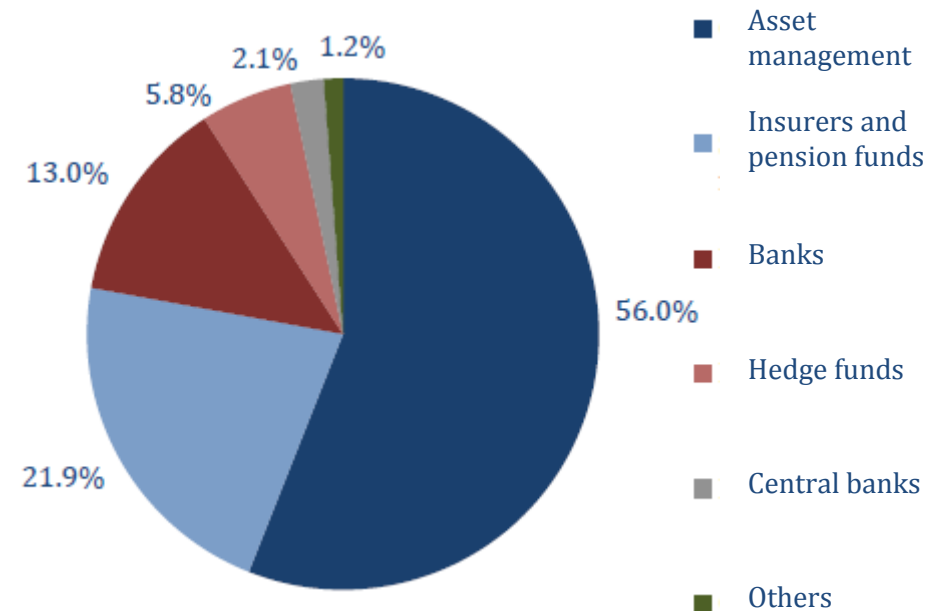
Orders over EUR 6 billion, via over 300 individual orders

EUR 2 billion syndicated trading of T-Bonds with maturity at 15 February 2045 (YTM 4.13%)

Geographical distribution



Distribution by type of investor



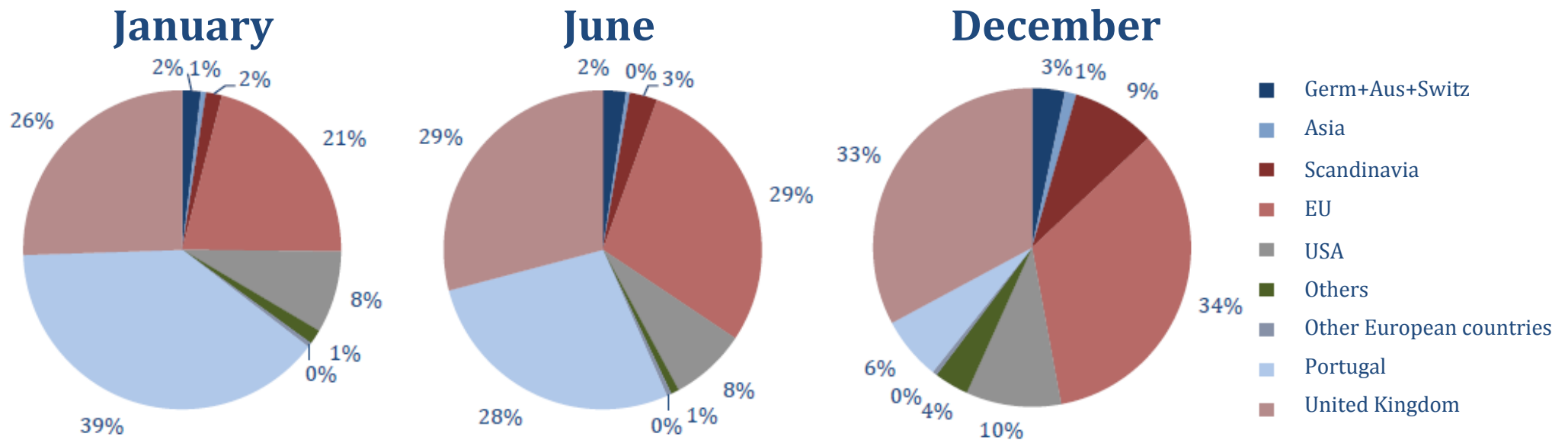
Source: IGCP

3) Financing and treasury management plan for 2014-15

2014 – Purchases of T-Bonds on a secondary market by non-resident investors have increased vs. domestic investors

Purchases of T-Bonds by geographical area of final OTC investors (Jan 2014, Jun 2014 and Dec 2014)

[% of OTC purchases]



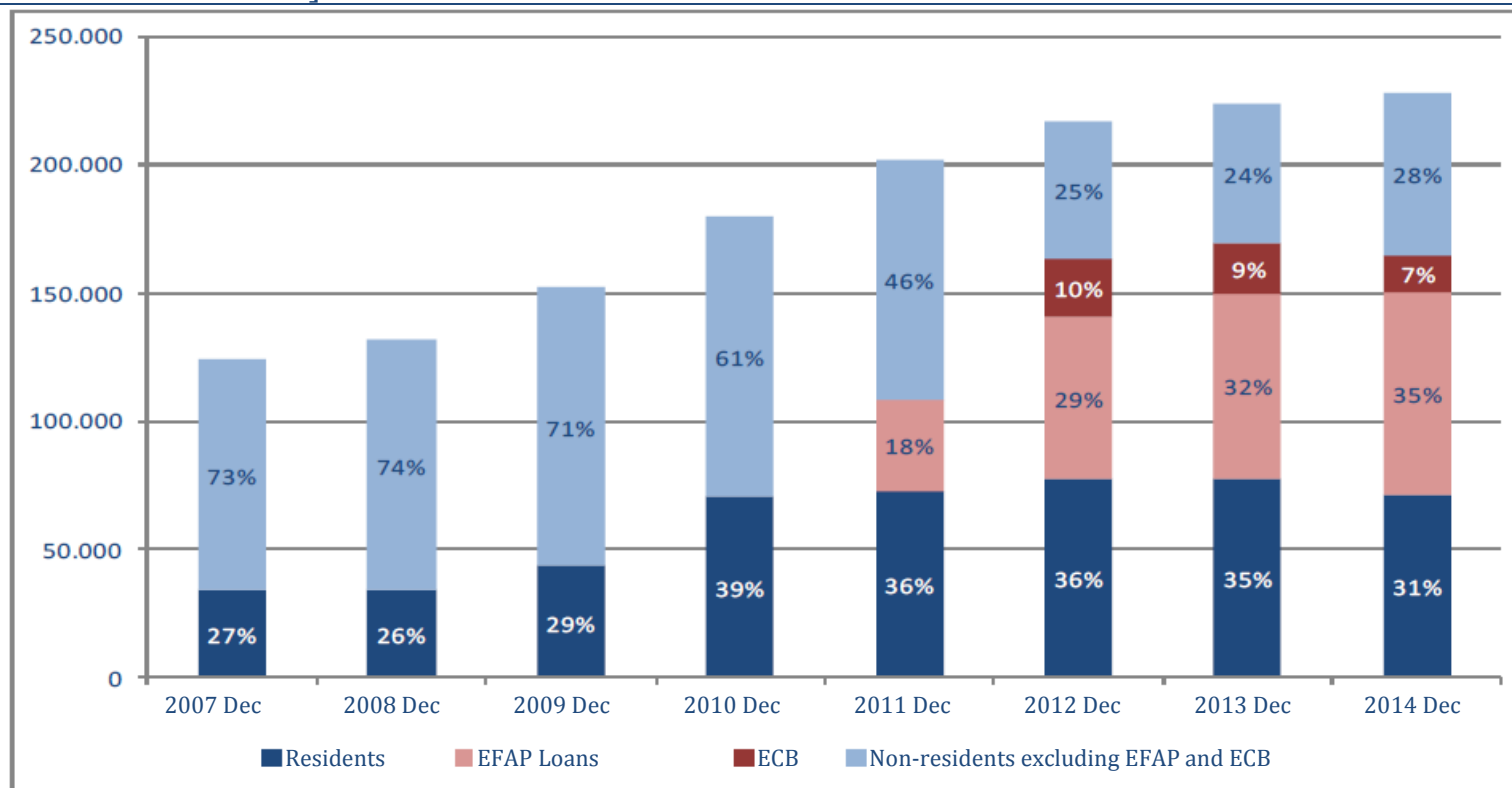
Source: IGCP

3) Financing and treasury management plan for 2014-15

In 2014, the expansion of the non-resident investor base was consolidated

Holders of public debt by geographical structure

[EUR millions, % of total debt of PA]



Note: the ECB acquired Portuguese public debt securities as early as 2010, but only the amounts held by each country at the end of 2012, 2013 and 2014 are known.

Source: Bank of Portugal

3.3. PORTFOLIO MANAGEMENT

Amendment of the State Budget Law in 2011 introduced greater flexibility in the Treasury management strategy

Law no. 22/2011 of 20 May

Article 16-A State Financing

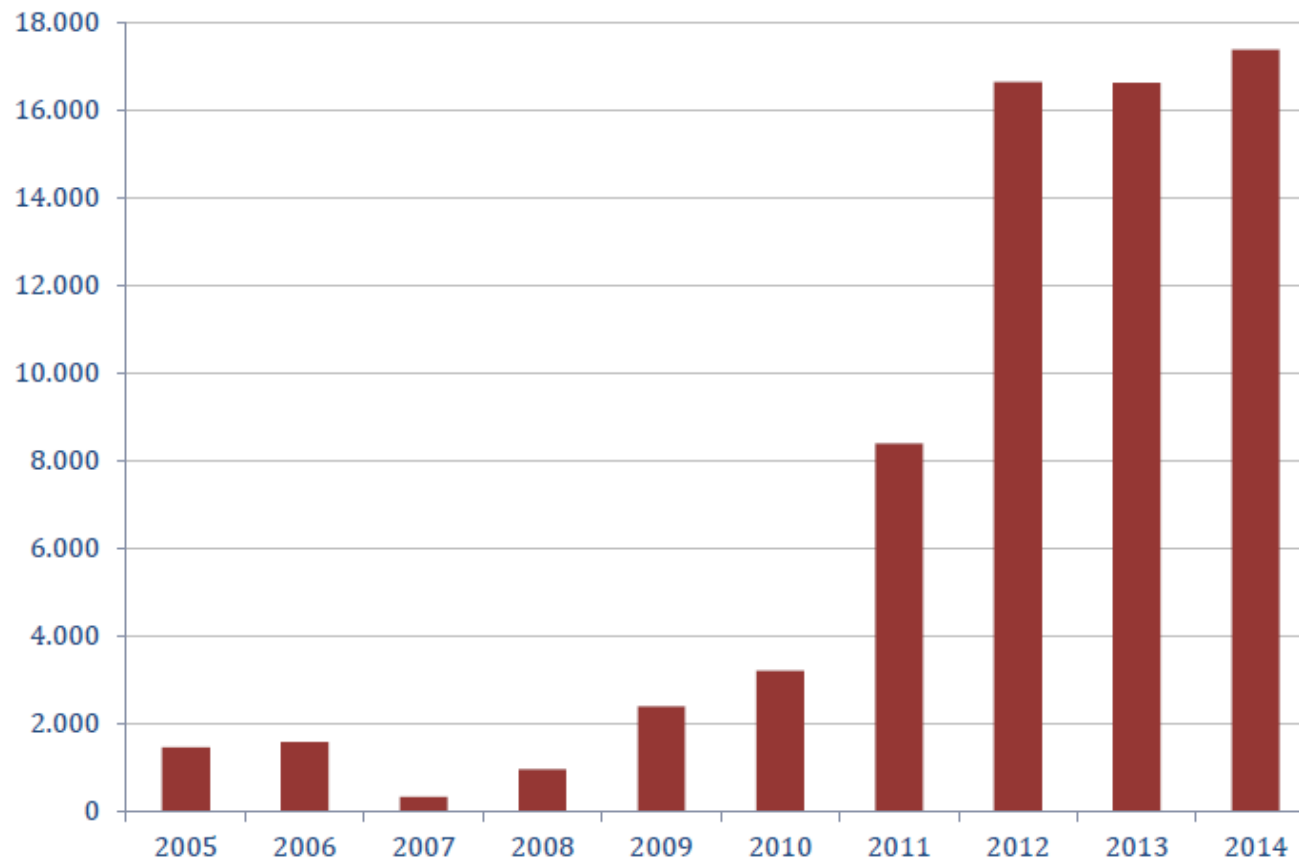
- 1 – To meet the financing needs arising from its execution, including autonomous services and funds, the State Budget establishes the maximum variation of the State's direct overall net debt.
- 2 – In addition to the maximum variation of the direct overall net debt referred to in the previous paragraph, **the State may finance in advance up to the limit of 50% of the forecast amortisations of funded public debt to be made in the subsequent state budget.**
- 3 – If the advance financing is made in a given budgetary year, the debt limit of the subsequent year is reduced by the advance financing made, but it may be increased by up to 50% of the amortisations of the funded public debt to be made in the subsequent budgetary year.

- This amendment introduced greater flexibility in the public debt management strategy, by allowing a more efficient choice as to the timing of State financing. to be defined according to market conditions, and not to be solely restricted to the financing needs of a given period.

Level of uncertainty suggests more prudent treasury management

The average daily balance of deposits in the State's Central Treasury has increased significantly since 2011

[EUR millions]



Source: IGCP

3) Financing and treasury management plan for 2014-15

Opportunity cost of the liquidity buffer must be regarded as an insurance premium

Estimate of cost of Treasury cash surpluses in 2013 and 2014

[EUR millions]

| (EUR millions) | Stock total implicit rate | | Average cost of new financing (T-Bills and T-Bonds) | | Average cost of new financing (T-Bills) | |
|---|---------------------------|------------|---|------------|---|-----------|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| Average deposit balance | 16,621 | 17,377 | 16,621 | 17,377 | 16,621 | 17,377 |
| Average interest rate of financing | 3.6% | 3.6% | 3.1% | 2.3% | 1.6% | 0.5% |
| Average cost of financing of the Treasury balance | 602 | 628 | 517 | 403 | 258 | 82 |
| Interest received from Treasury applications | -152 | -61 | -152 | -61 | -152 | -61 |
| Net cost of Treasury balance | 450 | 566 | 364 | 342 | 106 | 20 |

Plus interest of 40.2 million euros as a result of repurchases = -101.2

Source: IGCP

3) Financing and treasury management plan for 2014-15

In 2014, the IGCP actively repurchased EUR 5.4 billion of short-term T-Bonds and T-Bills, significantly reducing repayment peaks

Bilateral repurchases represent over double the repurchases made through repurchase auctions.

| Security | Repurchase Auction | Bilateral Repurchases | Total |
|-----------------|--------------------|-----------------------|------------------|
| T-Bond Jun 2014 | - | 228 mln | 228 mln |
| T-Bond Oct 2014 | 293 mln | 845 mln | 1,138 mln |
| T-Bond Oct 2015 | 1,077 mln | 2,226 mln | 3,302 mln |
| T-Bond Feb 2016 | - | 49 mln | 49 mln |
| T-Bond Oct 2016 | - | 30 mln | 30 mln |
| T-Bill May 2014 | - | 250 mln | 250 mln |
| T-Bill Jul 2014 | - | 274 mln | 274 mln |
| T-Bill Sep 2014 | - | 145 mln | 145 mln |
| TOTAL | 1,370 mln | 4,046 mln | 5,416 mln |

3) Financing and treasury management plan for 2014-15

Exchange operation: another step towards flattening the amortisation profile

The amount repurchased in the exchange operation was 11% of the outstanding amount of T-Bonds of 2015 and 2016

| Security | Yield | Amount (eur mln) | % of the outstanding amount exchanged (prior to transaction) |
|------------------------|--------|------------------|--|
| T-Bond 3.35 10/15/2015 | 0.266% | 24 | 4% |
| T-Bond 6.4 02/15/2016 | 0.480% | 553 | 16% |
| T-Bond 4.2 10/15/2016 | 0.527% | 955 | 16% |
| | | 1,749 | |
| T-Bond 3.85 04/15/2021 | 2.163% | 943 | 13% |
| T-Bond 4.95 10/25/2023 | 2.838% | 805 | 11% |
| | | 1,749 | |

Note: The yield refers to the secondary market levels at the time the exchange offer was announced

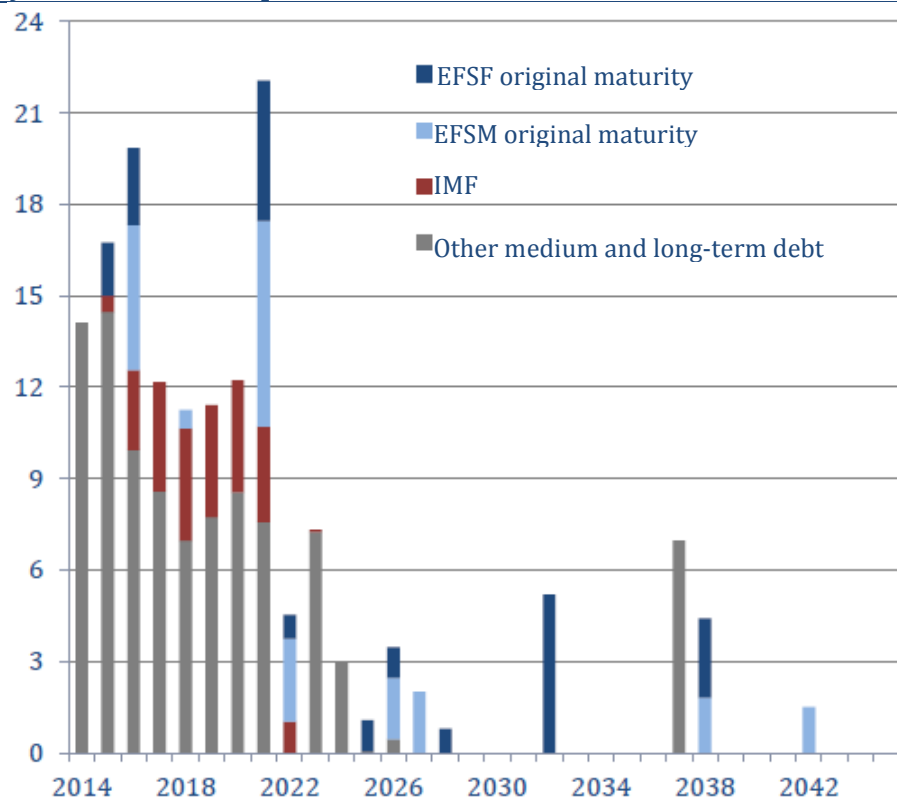
Source: IGCP and Bloomberg

3) Financing and treasury management plan for 2014-15

The extension of the maturities of EU loans by 7 years (2013) and the exchanges and repurchases (2014) reduced the refinancing risk

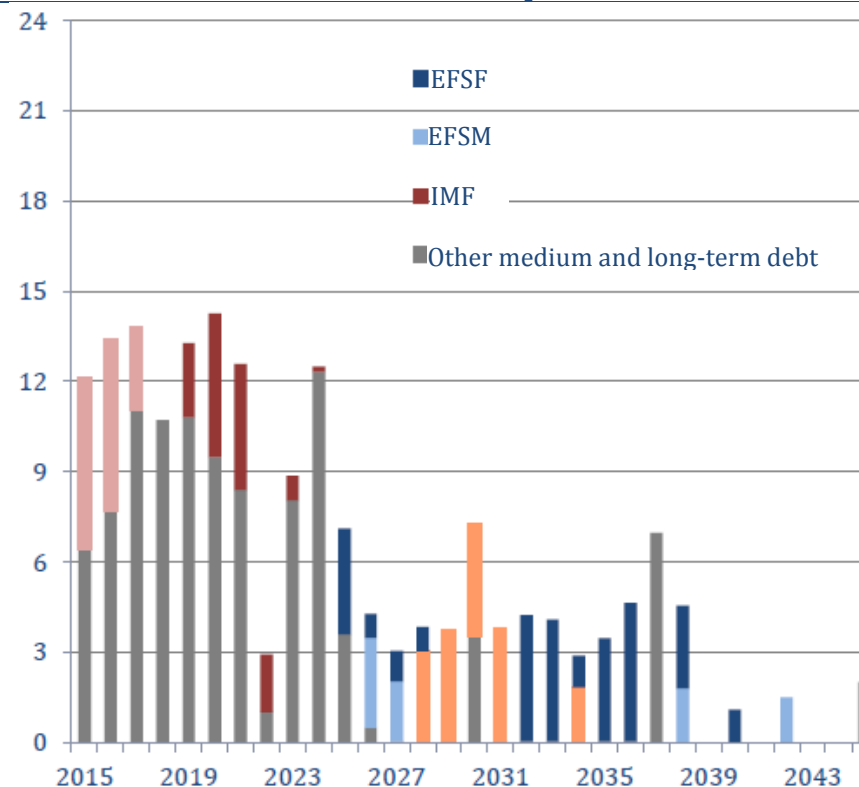
Profile of MLP amortisations (before the extension)

[May-13; EUR billion]



Profile of MLP amortisations (after the extension)

[Feb-15 + rollover of EFSM; EUR billion]



(*) The final maturity of the EFSM loans highlighted is not yet defined (the extension of maturity will become operational near to the date of the original amortisation), **but it is not expected that Portugal will have to refinance any EFSM loan before 2026.**

(**) Early repayment of half of the IMF loan (around €14 billion) between 2015 and 2017 is assumed.

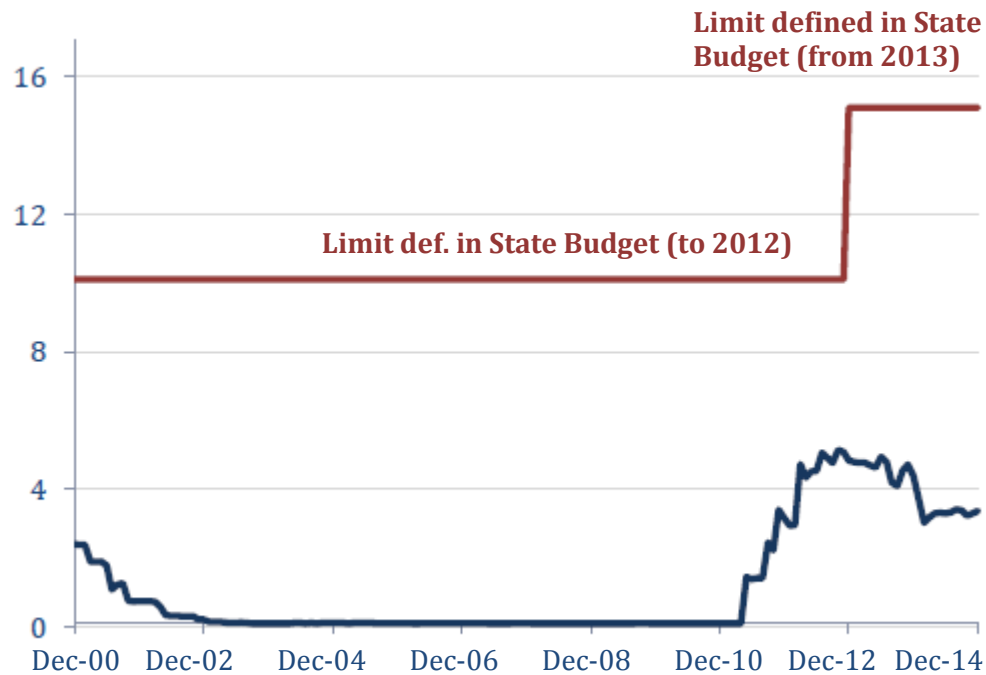
Source IGCP

3) Financing and treasury management plan for 2014-15

Exchange risk (inherent to IMF loans) within the established limits and average amortisation period at a historic high

Exchange risk of whole portfolio

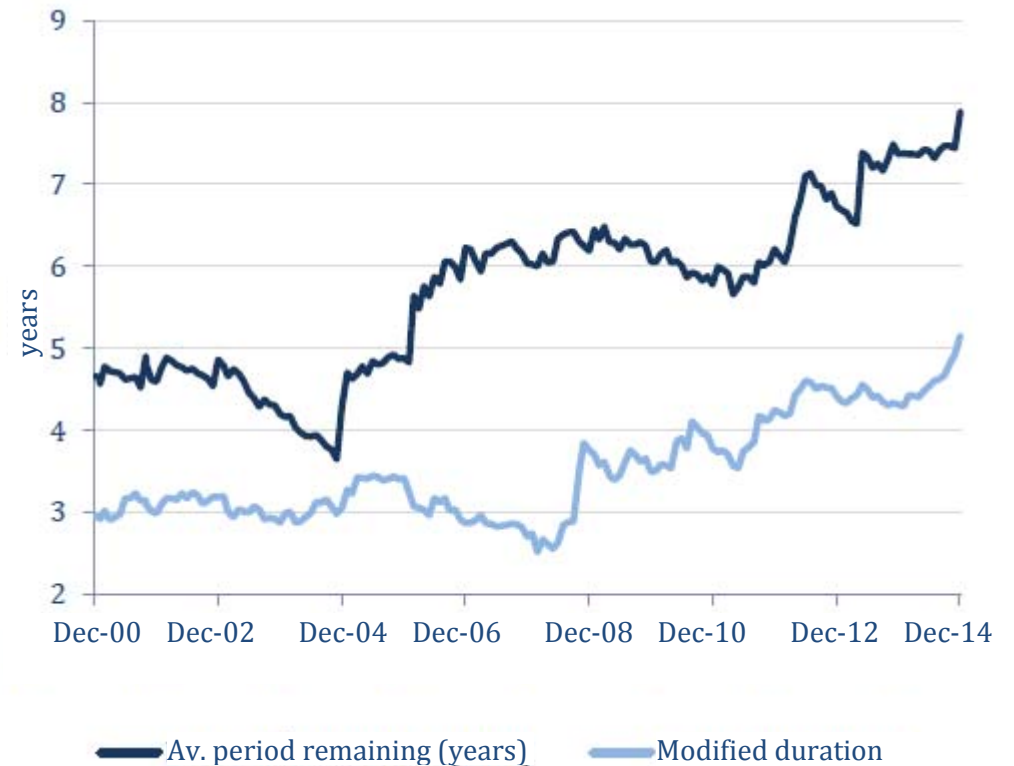
[% debt in foreign currency; post-swaps]



Source: IGCP

Average period remaining and Duration of whole portfolio

[years; post-swaps]



Source: IGCP

3) Financing and treasury management plan for 2014-15

Derivative instruments used mainly to minimise exchange risk of the IMF loan and the issue in USD

Value of the Republic's derivatives portfolio

[EUR thousands]

| Instrument | Nominal value | | Market value | |
|---------------------------|---------------|------------|----------------|------------------|
| | Dec-13 | Dec-14 | Dec-13 | Dec-14 |
| Interest rate derivatives | 3,466,300 | 1,566,300 | 18,975 | -16,037 |
| Exchange rate derivatives | - | - | -33,444 | 1,375,948 |
| EUR (Leg to pay) | 7,395,154 | 14,659,793 | -8,197,339 | -16,758,481 |
| GBP (Leg to receive) | 2,075,550 | 2,225,246 | 2,370,553 | 2,467,062 |
| JPY (Leg to receive) | 753,287 | 1,41,305 | 835,330 | 1,608,649 |
| NOK (Leg to receive) | 102,813 | 94,825 | 116,410 | 111,875 |
| USD (Leg to receive) | 4,396,589 | 12,328,753 | 4,841,603 | 13,946,844 |
| Total | - | - | -14,468 | 1,359,912 |

Note: the "IR Exposure" is a risk indicator similar to the modified duration, revealing the sensitivity of the portfolio to parallel variations in the yield curve.

Source: IGCP

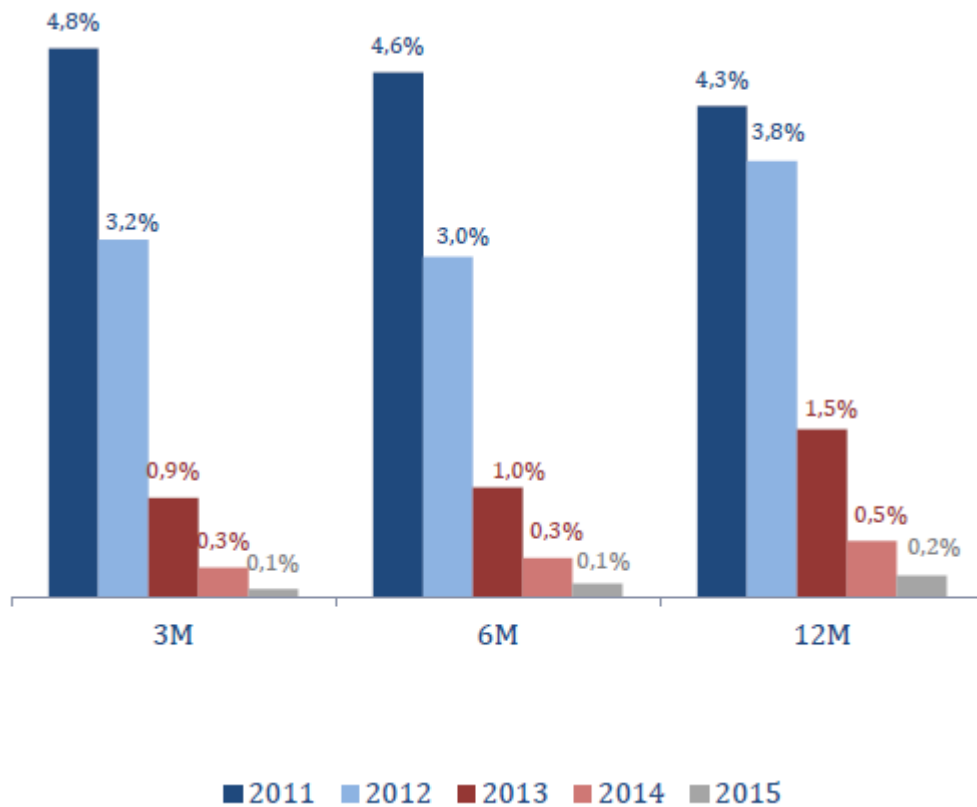
4) EVOLUTION OF FINANCING COST

4) Evolution of financing cost

The cost of financing T-Bills has been falling significantly for all maturities

Weighted average rate of Treasury Bills issued on a primary market

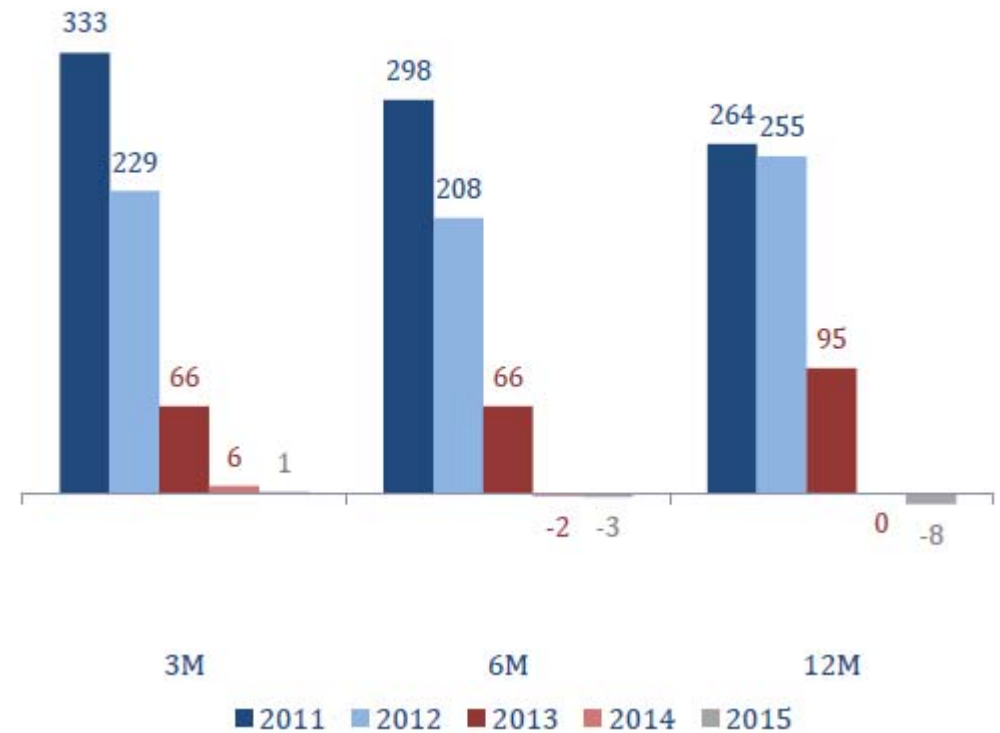
[%]



Source: IGCP

Treasury Bills issue Spread vs Euribor

[bp]



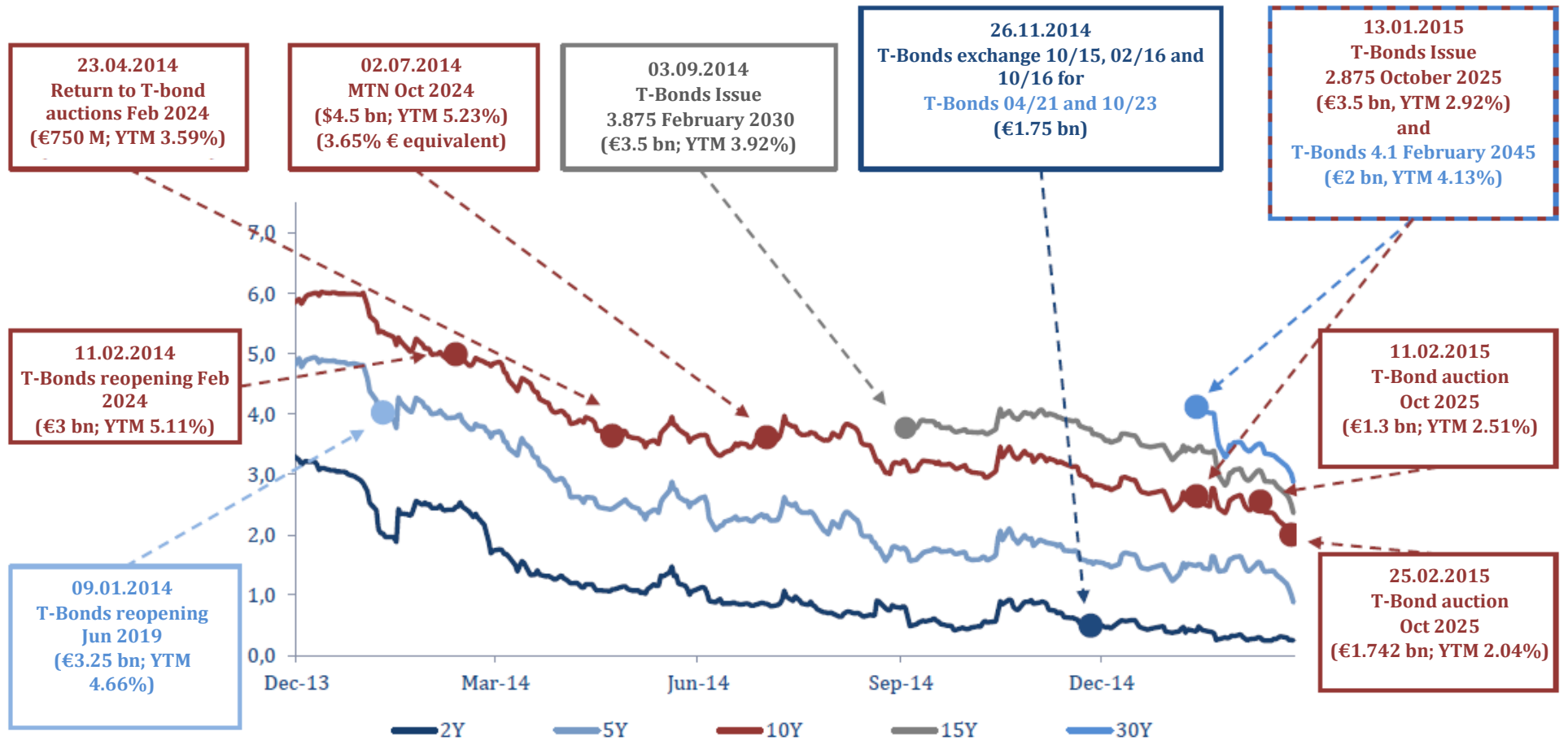
Source: IGCP

4) Evolution of financing cost

Return to regular issue of T-Bonds with successively lower financing costs

Key landmarks in the return to the market

[%]



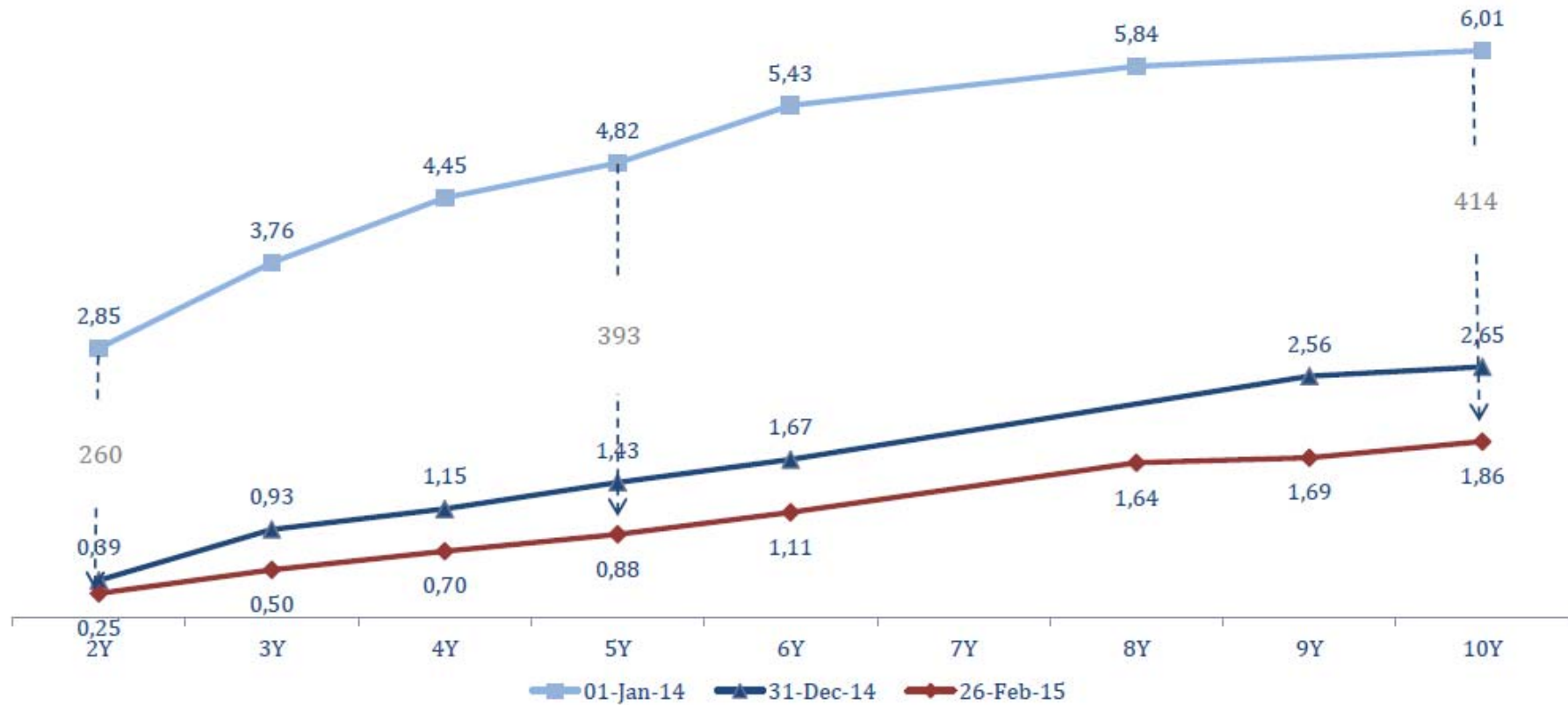
Source: Bloomberg

4) Evolution of financing cost

Resulting in a generalised flattening of rates with special emphasis in longer periods

T-Bond yield curve in secondary market

[%, b.p.]



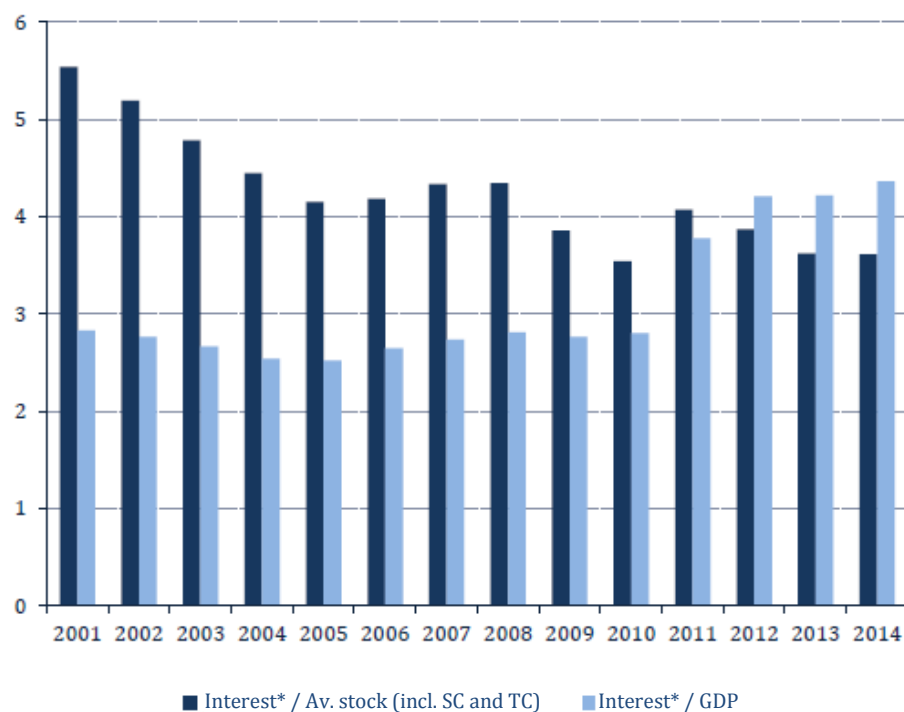
Source: Bloomberg

4) Evolution of financing cost

The interest rate implicit in the debt was at 3.6% in 2014, benefiting from the fall in T-Bill rates

State Interest

[National Accounts perspective, %]



* Excludes interest received from deposits and other loans granted

Source: IGCP

Interest and other costs of the State's direct debt

[National Accounts perspective, EUR millions]

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total interest within the EDP | 4,811 | 4,991 | 6,385 | 6,856 | 7,049 | 7,485 |
| Interest paid on public debt | 4,846 | 5,038 | 6,646 | 7,140 | 7,216 | 7,610 |
| of which EFAP | 0 | 0 | 502 | 1,556 | 1,881 | 2,262 |
| Interest received* | -35 | -48 | -261 | -284 | -167 | -125 |
| Other costs | 32 | 26 | 263 | 115 | 87 | 81 |
| of which EFAP | 0 | 0 | 236 | 91 | 56 | 19 |

* Interest received from deposits and loans granted

Implicit interest rate by instrument

[Interest/Average stock (%)]

| | 2012 | 2013 | 2014 |
|-------------------|-------------|-------------|-------------|
| T-Bond | 4.4% | 4.6% | 4.7% |
| T-Bill | 4.1% | 2.4% | 1.2% |
| SC/TC | 3.1% | 3.4% | 3.3% |
| EFAP | 3.1% | 2.8% | 3.0% |
| Total debt | 3.9% | 3.6% | 3.6% |

Source: IGCP

4) Evolution of financing cost

EFAP loans financing conditions favour fall in the implicit interest rate

EU/IMF loans with an average interest rate of around 2.9%

[Estimates based on disbursements received up to Dec-2014]

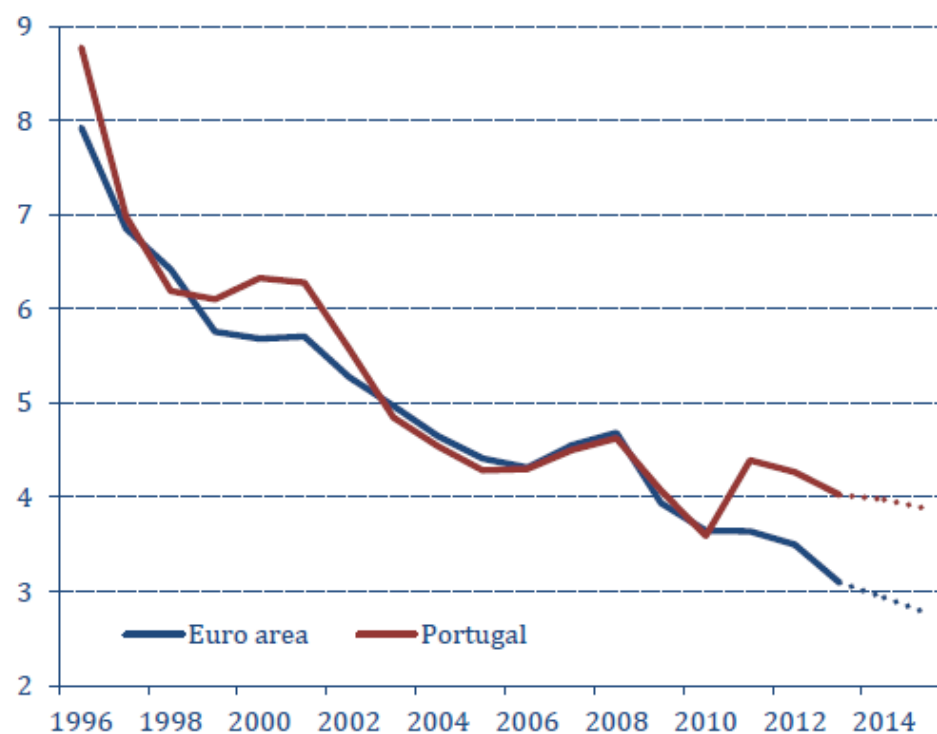
| Entity | Amount disbursed (EUR MM) | Estimated all-in-cost * | Average maturity (years) |
|--------------|---------------------------|-------------------------|--------------------------|
| EFSM | 24.1 | 2.9% | 19.5 |
| EFSF | 26.0 | 2.1% | 20.8 |
| IMF | 26.3 | 3.7% | 7.25 |
| Total | 76.5 | 2.9% | 15.8 |

* Estimate of IRR including all the associated costs (interest and commission). The interest rate for EFSF loans taken out since May 2012 is variable and indexed to the cost of the EFSF funding pool. The IRR estimate for these loans takes into account the planned financing programme and the implicit evolution in interest rate forwards. The base interest rate for IMF loans (in SDR) is reset on a weekly basis. A spread is added to this rate which varies over time 1QQ and 4QQ basis points, depending on the total finance provided by IMF and the period which has passed since the beginning of the Programme. The IRR for the whole period of the loan was estimated based on the interest rate and exchange rate forwards and based on the provisional calendar for future disbursements.

Source: IGCP

Implicit tax rate for all PA

[Interest/debt stock from previous year, %]



Source: AMECO (SEC 2010)

5) STATE CORPORATE SECTOR – OPINIONS ON FINANCING OPERATIONS

The legal framework for the SCS was amended in October 2013

Decree-Law no. 133/2013 of 3 October, amended by Law no. 74-A/2014 of 30 September

Article 29 Indebtedness of non-financial public companies in the State corporate sector

4 - Non-financial public companies in the State corporate sector, not covered by the provisions of paragraph 1 [*Reclassified public companies (RPC) or companies under the dominant influence of an RPC*], which, annually, present negative equity may only obtain financing from credit institutions with the prior consent of the General Directorate of Treasury and Finance (DGTF), **which requests an opinion from IGCP, E.P.E. regarding the applicable financial conditions.**

5 - Only non-financial public companies in the State corporate sector which, annually, present positive equity and which are not covered by the provisions of paragraph 1 [*RPC or companies under the dominant influence of an RPC*] may, directly and autonomously, negotiate and take out financing for the pursuit of their activities, **and in the case of financing operations for a period greater than one year and financial derivative operations on interest rates or exchange rates they must obtain a positive opinion from IGCP, E.P.E. in advance.**

Article 72 Management of financial derivatives of reclassified public companies

1 – The management of the financial derivative portfolios of public companies which have been or are reclassified and included in the public administration sector, pursuant to the European System of National and Regional Accounts, **is transferred to IGCP, E.P.E.**, and becomes an exclusive duty of this body.

- This amendment gives IGCP **greater control over the financing of public companies and over the management of their financial derivatives**, with the aim of reducing costs with debt and exposure of the SCS to risk.

5) State Corporate Sector – Opinions on Financing Operations

Since the entry into force of the new Legal Framework for the SCS, 261 opinions have been issued on financing operations

Distribution of opinions, by period of financing

[Number of opinions; % of opinions issued]

| Period | Opinions issued | % favourable |
|-------------------------|-----------------|--------------|
| Less than 1 month | 14 | 100% |
| Between 1 and 3 months | 213 | 92% |
| Between 6 and 12 months | 14 | 86% |
| Between 2 and 5 years | 4 | 75% |
| Over 5 years | 16 | 81% |
| Total | 261 | 91% |

Source: IGCP

6) STATE CORPORATE SECTOR – DERIVATIVE PORTFOLIO MANAGEMENT

6) State Corporate Sector

Reduction in the market value of SCS financial derivatives is mainly due to the fall in interest rates

Derivatives in public companies' portfolio

[EUR millions]

| | Contract value | MtM 2013 | MtM 2014 | CF 2014 |
|-------------------------------------|----------------|-----------------|-----------------|---------------|
| RPC derivatives | 2,206.8 | -252.3 | -383.8 | -39.5 |
| Transtejo | 27.5 | -3.9 | -3.2 | -1.2 |
| Parública | 1,350.7 | -158.9 | -205.1 | -12.0 |
| Metro Lisboa | 650.0 | -60.2 | -147.7 | -20.2 |
| Metro Porto | 103.6 | -23.8 | -24.1 | -3.8 |
| CP | 75.0 | -5.4 | -3.7 | -2.3 |
| NRPC derivatives | 353.2 | -72.8 | -69.0 | -14.5 |
| AdP | 170.0 | -32.9 | -39.0 | -3.8 |
| APL | 10.8 | -2.0 | -1.9 | -0.8 |
| CARRIS | 151.6 | -36.5 | -26.6 | -9.2 |
| TAP | 20.9 | -1.5 | -1.5 | -0.6 |
| Total | 2,560.0 | -325.2 | -452.8 | -54.0 |
| No. outstanding transactions | | 44 | 40 | |
| In litigation | 406.3 | -1,148.4 | -1,384.4 | -117.5 |
| Metro Lisboa | 188.8 | -580.9 | -663.2 | -58.4 |
| Metro Porto | 120.1 | -435.1 | -550.1 | -37.6 |
| CARRIS | 72.5 | -37.8 | -50.9 | -15.1 |
| STCP | 25.0 | -94.7 | -120.1 | -6.5 |
| Total | 406.3 | -1,148.4 | -1,384.4 | -117.5 |
| No. outstanding transactions | | 9 | 9 | |

Source: IGCP

7) CHALLENGES

7) Challenges

IGCP is facing some important challenges in the coming months and years

Main challenges

- Continue to **expand the investor base** in order to fully recover the more traditional investors;
- **Ensure liquidity** in the T-Bond market, guaranteeing fluidity of two-way movements – this challenge may become more acute following the realisation of the programme for the purchase of public debt by the ECB;
- Take advantage of the low interest rate environment **to extend the duration and flatten the repayment profile** [e.g. partial early repayment of IMF loans), improving the refinancing conditions;
- **Attract and retain staff** with the right qualifications profile (< 100 members of staff).

ANNEX

INTERNATIONAL RECOGNITION

In 2014, IGCP’s work was recognised with three awards from specialist journals

Risk Awards 2015, IFR Sovereign Issuer Award 2014 and "best deal" in the SSA USD bond



Risk Awards 2015

The RISK AWARDS 2015 ceremony was held in London on 29 January, and IGCP E.P.E. won the category of Sovereign Risk Manager of the Year.



IFR Sovereign Issuer Award 2014

The IFR - International Financing Review – award ceremony was held in London on 21 January, and IGCP, E.P.E was recognised internationally for the work carried out during 2014 in the issuance and management of the Republic’s debt.



Best deal award in the “best deal in the SSA USD bond” category

Best deal in USD in the SSA area, with the 10-year issue of the security Portug 5.125 10/15/2024 awarded by Global Capital Annual Awards.

Source: IGCP

THANK YOU